

Message Text

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12

ACTION TRSE-00

INFO OCT-01 ARA-16 ISO-00 STR-08 EB-11 COME-00 TAR-02 L-03

DRC-01 RSC-01 /043 W

----- 064780

R 201305Z JUL 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 4589

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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PASS TREASURY PETER SUCHMAN

E. O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: COUNTERVAILING DUTY ON SHOES

1. FRANCISCO DORNELLES, INTERNATIONAL TAX EXPERT AT THE MINISTRY OF FINANCE AND MEMBER OF BRAZILIAN TECHNICAL TEAM THAT HAS HELD DISCUSSIONS WITH TREASURY ON THE SHOE COUNTERVAILING DUTY INVESTIGATION, CALLED FINANCIAL ATTACHE AFTERNOON JULY 19 TO SAY THAT THE DATA ON THE ELEVEN SHOE FIRMS HAD BEEN DELIVERED TO THE FOREIGN MINISTRY FOR TRANSMITTAL TO THE U.S. TREASURY THROUGH THE BRAZILIAN EMBASSY IN WASHINGTON.

2. CONFIRMING WHAT THE AMBASSADOR HAD BEEN TOLD BY FINANCE MINISTER SIMONSEN YESTERDAY (SEE SEPTTEL), DORNELLES SAID THAT THE RESULTS INDICATE A COUNTERVAILING DUTY OF 5.25 PERCENT. HE WENT ON TO STRESS, HOWEVER, AND THIS APPEARS TO HAVE BEEN THE MAIN PURPOSE OF HIS PHONE CALL, THAT THIS LEVEL OF DUTY INCLUDES AN INCOME TAX INCENTIVE OF 1.03 PERCENT AND A SUBSIDIZED INTEREST RATE PORTION (RESOLUTION 71) OF 0.23 PERCENT. DORNELLES NOTED THAT SINCE THE U.S. USES SIMILAR PRACTICES (AND BE REFERRED TO DISC) WE SHOULD NOT TAKE INTO

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ACCOUNT THE INCOME TAX INCENTIVE AND THE SUBSIDIZED

INTEREST RATE. THEREFORE, HE CONCLUDED, THE RATE
TO BE IMPOSED SHOULD BE 3.99 PERCENT OR 5.25 PERCENT,
MINUS 1.03 PERCENT AND MINUS 0.23 PERCENT.

3. DORNELLES CONTINUED BY SAYING THAT IF WE IMPOSED A
COUNTERVAILING DUTY WHICH INCLUDED THE INCOME TAX INCENTIVE
AND SUBSIDIZED INTEREST RATE FACTORS THAT THIS WOULD
BRING A STRONG NEGATIVE REACTION FROM THE FOREIGN
MINISTRY.

4. THE FINANCIAL ATTACHE INFORMED DORNELLES THAT THIS
MATTER HAD COME UP DURING THE MEETING WITH THE MINISTER
YESTERDAY, AND THAT WE HAD MADE OUR POSITION CLEAR THEN. IN
ADDITION, WE HAD UNDERSTOOD FROM OUR TALKS WITH THE
MINISTER THAT HE WOULD BE SENDING A LETTER TO
SECRETARY SIMON OUTLING THE BRAZILIAN POSITION.
CRIMMINS

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Message Attributes

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